

AR48

New Issue

Atlas Acceptance Corporation Limited

NOV 11 1963

\$400,000

6 $\frac{3}{4}$ % Convertible Sinking Fund Secured Notes Series A

Prospectus

N. L. MacNames & Company Limited

Investment Dealers

**19 MELINDA STREET - TORONTO 1
Telephone EMpire 4-3343**

This prospectus is not, and under no circumstances is to be construed as, a public offering of these securities for sale in the United States of America or in the territories or possessions thereof.

New Issue

\$400,000

Atlas Acceptance Corporation Limited

(Incorporated under the laws of the Province of Ontario)

6¾% Convertible Sinking Fund Secured Notes Series A

To be dated October 15, 1963

To mature October 15, 1973

Principal and half-yearly interest (April 15 and October 15) and redemption premium, if any, payable in lawful money of Canada at the holder's option at any branch in Canada of the Company's bankers.

The 6¾% Convertible Sinking Fund Secured Notes Series A (the "Series A Notes") are to be issued in coupon form in denominations of \$500 and \$1,000 registrable as to principal only and in fully registered form in denominations of \$500 and \$1,000 and authorized multiples of \$1,000. Redeemable, otherwise than out of sinking fund moneys, at the option of the Company in whole at any time or in part from time to time on not less than thirty days' notice at the principal amount thereof plus a premium of 5% of such principal amount if redeemed on or before October 15, 1964, such premium thereafter decreasing 1% of such principal amount for each year commenced or elapsed after October 15, 1964 to the date fixed for redemption up to and including the year commencing October 16, 1967 and after October 15, 1968 and prior to maturity at the principal amount thereof; redeemable out of sinking fund moneys at the principal amount thereof; in each case with accrued interest to the date fixed for redemption.

Sinking Fund

The Company will covenant to establish a sinking fund for the retirement of the Series A Notes sufficient to retire \$20,000 principal amount thereof on October 15 in each of the years 1964 to 1968, both inclusive, \$30,000 principal amount thereof on October 15, 1969 and \$50,000 principal amount thereof on October 15 in each of the years 1970 to 1972, both inclusive, such sinking fund being calculated to retire 70% of the principal amount of the Series A Notes prior to maturity.

The Series A Notes will be convertible, at the option of the holder, at any time prior to the close of business on the respective dates hereinafter mentioned or on the last business day immediately preceding the date fixed for redemption of such Series A Notes, whichever in each case is earlier, into fully paid and non-assessable common shares without par value in the capital of the Company (as presently constituted) on the basis of 500 common shares for each \$1,000 principal amount of Series A Notes if converted on or before October 15, 1966; thereafter on the basis of 300 common shares for each \$1,000 principal amount of Series A Notes if converted on or before October 15, 1970; and thereafter on the basis of 200 common shares for each \$1,000 principal amount of Series A Notes if converted on or before October 15, 1973.

Upon conversion, Series A Notes shall be taken at the principal amount thereof and no allowance will be made for accrued interest (if any) to the date of conversion or in respect of dividends on the common shares issuable upon conversion.

TRUSTEE—Series A Notes—Guaranty Trust Company of Canada

TRANSFER AGENT AND REGISTRAR—Common Shares—Guaranty Trust Company of Canada

The Company has agreed to sell and the Underwriter referred to herein has agreed to purchase \$200,000 principal amount of the \$400,000 principal amount of Series A Notes offered hereby. The said Underwriter has an option exercisable at any time or from time to time until (but not after) January 7, 1964 to purchase all or any part of the remaining \$200,000 principal amount of the Series A Notes.

We, as principals, offer these Series A Notes, subject to prior sale and change in price, if, as and when issued by the Company and accepted by us and subject to approval of all legal matters on behalf of the Company by Messrs. Robertson, Lane, Perrett, Frankish & Estey, Toronto and on our behalf by Messrs. McDonald, Davies & Ward, Toronto.

PRICE: 100 and accrued interest

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

It is expected that Series A Notes in definitive form will be available for delivery on or about November 19, 1963.

ATLAS ACCEPTANCE CORPORATION LIMITED

The following information has been supplied by the President of Atlas Acceptance Corporation Limited:

The Company

Atlas Acceptance Corporation Limited (the "Company") was incorporated on April 1, 1950 under the laws of the Province of Ontario. The Company is engaged in the business of financing retail instalment sales, making loans to retailers and lending money upon the security of chattel mortgages, promissory notes and other securities. The Company's retail instalment obligations are secured by title to the merchandise, the covenant of the purchaser and, in most cases, by endorsement of the dealer or vendor involved.

The Company also makes loans secured by chattel mortgages on commercial and industrial equipment and, to a limited degree, makes advances on the security of assignments of leases of industrial and commercial equipment additionally secured by chattel mortgages on such equipment and, in a few cases, leases to others equipment purchased by the Company.

Subsidiary Companies

In order to expand into the small loan field, the Company on June 30, 1955 caused Astre Finance Company Limited to be incorporated as a wholly owned subsidiary. This subsidiary is licensed under the Small Loans Act (Canada).

Astre Finance Company Limited carries on the business of making personal loans secured by chattel mortgages on automobiles, household furniture, appliances and other chattels.

On July 11, 1963 the Company caused Atlas Credit Corporation Limited to be incorporated as a wholly owned subsidiary to carry on the business of granting and dealing in mortgages on real estate. Such subsidiary is not registered under The Loan and Trust Corporations Act.

Capitalization

(After giving effect to the present financing)

	<u>Authorized</u>	<u>Issued</u>
Secured Notes.....	\$2,000,000	
6¾% Convertible Sinking Fund Secured Notes Series A.....		\$400,000
Common shares without par value.....	500,000 shs.	203,920 shs.

NOTES:

- (1) Of the \$400,000 principal amount of 6¾% Convertible Sinking Fund Secured Notes Series A, \$200,000 principal amount have been underwritten and \$200,000 principal amount are under option to the Underwriter as referred to in paragraph 16 of the statutory information forming part of this prospectus.
- (2) An aggregate of 200,000 common shares has been set aside against conversion of Series A Notes.
- (3) 20,300 common shares are under option to the President of the Company as referred to in paragraph 11 of the said statutory information.

Operations

The operations of the Company and Astre Finance Company Limited are reflected by the following table of instalment obligations outstanding for the years ended March 31, 1954 to December 31, 1962 (the Company's fiscal year end having been changed in 1959 to December 31) and for the six month period ended June 30, 1963:

	<u>Instalment obligations outstanding (after reserve for doubtful accounts)</u>
March 31, 1954.....	\$ 839,268
March 31, 1955.....	877,939
March 31, 1956.....	965,077
March 31, 1957.....	1,094,181
March 31, 1958.....	793,751
March 31, 1959.....	996,796
December 31, 1959.....	929,975
December 31, 1960.....	705,184
December 31, 1961.....	696,181
December 31, 1962.....	742,306
June 30, 1963.....	789,126

The following is the classification of the instalment obligations of the Company and Astre Finance Company Limited as at June 30, 1963:

As to category:

Retail instalment obligations.....	\$573,417	72.7%
Wholesale instalment obligations.....	10,624	1.3%
Direct personal loans.....	110,270	14.0%
Direct commercial loans.....	78,565	10.0%
Equipment leases.....	16,157	2.0%
	<u>\$789,126</u>	<u>100.0%</u>

As to distribution according to size:	Number of instalment obligations
\$100 and less.....	68
\$101 to \$1,000.....	318
\$1,001 to \$5,000.....	94
\$5,001 to \$10,000.....	13
\$10,001 and over.....	16
	<u>509</u>

Of the 509 outstanding instalment obligations referred to above, 30 mature within a period in excess of 24 months and 479 mature within a period of 24 months or less.

General

Repayment of retail instalment obligations purchased by the Company is almost exclusively by monthly instalment payments. The term of instalment obligations purchased varies according to the type of merchandise financed, the average term being approximately 20 to 24 months.

Before an instalment obligation is purchased or a loan is made, the Company, through its trained personnel, makes an investigation of the credit standing of the primary debtor through established credit bureaus, banks and other sources.

The personnel of the Company are well experienced in the general finance company and acceptance business. The President, Mr. Arthur McCarthy, has been personally active in the management of the Company since its inception.

It is the opinion of management that the application of the proceeds of this and any future issues will enable the Company to expand its operations profitably.

Purpose of Issue

The net proceeds of the sale by the Company of the 6¾% Convertible Sinking Fund Secured Notes Series A offered hereby will be added to the general funds of the Company to be used to increase its outstanding instalment obligations and to provide funds to its wholly owned subsidiaries for the same purpose.

Series A Notes

The \$400,000 aggregate principal amount of Series A Notes offered hereby are to be issued under and secured by a deed of trust and mortgage (hereinafter called the "Trust Deed") to be dated as of October 15, 1963 and to be made between the Company and Guaranty Trust Company of Canada, as Trustee (hereinafter called the "Trustee").

The Trust Deed will contain provisions permitting the issuance (subject as therein provided) from time to time of additional Notes thereunder not to exceed in the aggregate \$2,000,000 principal amount (including the Series A Notes offered hereby).

The Company will covenant in the Trust Deed to establish a sinking fund for the retirement of the Series A Notes sufficient to retire \$20,000 principal amount thereof on October 15 in each of the years 1964 to 1968, both inclusive, \$30,000 principal amount thereof on October 15, 1969 and \$50,000 principal amount thereof on October 15 in each of the years 1970 to 1972, both inclusive, such sinking fund being calculated to retire 70% of the principal amount of the Series A Notes prior to maturity.

The Series A Notes will be convertible, at the option of the holder, at any time prior to the close of business on the respective dates hereinafter mentioned or on the last business day immediately preceding the date fixed for redemption of such Series A Notes, whichever in each case is earlier, into fully paid and non-assessable

common shares without par value in the capital of the Company (as presently constituted) on the basis of 500 common shares for each \$1,000 principal amount of Series A Notes if converted on or before October 15, 1966; thereafter on the basis of 300 common shares for each \$1,000 principal amount of Series A Notes if converted on or before October 15, 1970; and thereafter on the basis of 200 common shares for each \$1,000 principal amount of Series A Notes if converted on or before October 15, 1973. Upon conversion, Series A Notes shall be taken at the principal amount thereof and no allowance will be made for accrued interest (if any) to the date of conversion or in respect of dividends on the common shares issuable upon conversion. The Trust Deed will contain provisions for appropriate adjustment of the conversion privilege in certain events.

The Series A Notes will be redeemable prior to maturity, otherwise than out of sinking fund moneys, at the option of the Company in whole at any time or in part from time to time on not less than thirty days' notice at the principal amount thereof plus a premium of 5% of such principal amount if redeemed on or before October 15, 1964, such premium thereafter decreasing 1% of such principal amount for each year commenced or elapsed after October 15, 1964 to the date fixed for redemption up to and including the year commencing October 16, 1967 and after October 15, 1968 and prior to maturity at the principal amount thereof, in each case with accrued interest to the date fixed for redemption. The Series A Notes will be redeemable out of sinking fund moneys at the principal amount thereof with accrued interest to the date fixed for redemption.

The Company will have the right to purchase Series A Notes in the market or by private contract at prices not exceeding the redemption price current at the time of purchase in respect of Series A Notes redeemed otherwise than out of sinking fund moneys plus accrued interest and costs of purchase. All Series A Notes purchased or redeemed (except Series A Notes purchased or redeemed out of sinking fund moneys) shall, notwithstanding the cancellation thereof, be available to the Company as a sinking fund credit which at the election of the Company may be applied (to the extent not theretofore applied) in denominations of \$500 and multiples thereof in satisfaction in whole or in part of required sinking fund payments payable thereafter.

Security

The \$400,000 aggregate principal amount of Series A Notes will be issued under and secured by the Trust Deed, will be direct obligations of the Company and will, in the opinion of Counsel, be secured equally and rateably by

- (i) an assignment to and in favour of the Trustee of all right, title and interest of the Company in and to Instalment Obligations (as to be defined in the Trust Deed) which may from time to time be delivered to the Trustee pursuant to the Trust Deed and all right, title and interest of the Company in, to and under all contracts, securities, notes and other documents held by or on behalf of the Company in respect thereof;
- (ii) a first fixed and specific mortgage, pledge or charge to and in favour of the Trustee of the Collaterally Pledged Shares of Subsidiary Companies (as to be defined); and
- (iii) a floating charge under the laws of the Province of Ontario on the undertaking and all other property and assets of the Company, both present and future, situate in the Province of Ontario subject to an exception as to the last day of the term of any lease or agreement therefor.

The above mentioned opinion of Counsel will be subject to the qualification that the priority of competing assignments of the same debt (including an Instalment Obligation) depends on notice as between bona fide assignees thereof and priority belongs to the assignee in respect of whose assignment written notice is first received by the debtor.

Instruments evidencing Instalment Obligations and other debts assigned by the Company to the Trustee will be left in the possession of the Company and it is intended that the Trustee will not give or cause to be given to any debtor of the Company under any such Instalment Obligation or other debt notice of such assignment until the security created by the Trust Deed shall have become enforceable and the Trustee shall have determined or become bound to enforce such security.

All Cash and/or Approved Securities (as to be defined) which may be deposited with the Trustee in accordance with the covenants of the Company referred to below will be subject to a first fixed and specific mortgage, pledge or charge to and in favour of the Trustee.

The Trust Deed will contain provisions permitting the release from the specific lien of the Trust Deed of all or any part of such Cash and/or Approved Securities and/or Instalment Obligations deposited with or assigned to the Trustee if after such release there will be sufficient Instalment Obligations and/or Approved Securities and/or Cash assigned to or held by the Trustee to meet the ratio of such assets to outstanding Series A Notes to be prescribed in the Trust Deed as referred to under the heading "Covenants" hereunder.

Until the security to be constituted by the Trust Deed becomes enforceable and the Trustee determines or becomes bound to enforce the same pursuant to the provisions thereof, the Company will be entitled to receive, as agent for the Trustee, all moneys paid in respect of all Instalment Obligations and of all other accounts, debts and claims assigned to the Trustee; however, all such moneys are, subject as aforesaid, to be released from the specific lien of the Trust Deed if, at the time of such receipt, there are sufficient Instalment Obligations and/or Approved Securities and/or Cash assigned to or held by the Trustee to meet the requirements of the Trust Deed.

The Trust Deed will provide, among other things, that the floating charge referred to above and the covenants of the Company hereinafter referred to shall in no way hinder or prevent the Company at any time and from time to time (until the security constituted by the Trust Deed shall have become enforceable and the Trustee shall have determined or become bound to enforce the same) (i) from selling, alienating, leasing, assigning, transferring, mortgaging, pledging, hypothecating, charging or otherwise disposing of or dealing with the subject matters of such floating charge in the ordinary course of business and for the purpose of carrying on the same, or (ii) from assigning, transferring, mortgaging, pledging, hypothecating, charging or giving any security or securities on the subject matters of such floating charge (including Instalment Obligations and/or Approved Securities and/or Cash which are not for the time being subjected to the specific lien of the Trust Deed) in the ordinary course of business and for the purpose of carrying on the same to any bank or banks under the Bank Act (Canada) for present or future debts or liabilities of the Company to such bank or banks, and any such assignment, transfer, mortgage, pledge, hypothecation, charge, security or securities to any such bank or banks shall rank in priority to the said floating charge, or (iii) from creating any floating charge or charges on the subject matters of the said floating charge (including Instalment Obligations and/or Approved Securities and/or Cash which are not for the time being subjected to the specific lien of the Trust Deed) in the ordinary course of business and for the purpose of carrying on the same in favour of any lender or lenders as security for present or future debts or liabilities of the Company to such lender or lenders, provided any such floating charge or charges rank *pari passu* with and not in priority to the said floating charge created by the Trust Deed and securing the Series A Notes.

Covenants

The Trust Deed will contain covenants of the Company, among others, substantially to the following effect:

- (a) that the aggregate of the Value (as to be defined) of the Instalment Obligations assigned to the Trustee by the Company, as shown by the latest Certificate of the Company filed with the Trustee, and the amount of any Cash and of the market value of any Approved Securities deposited by the Company with the Trustee will at all times be equal to not less than 115% of the aggregate principal amount of all Notes outstanding under the Trust Deed and that, in the event of any deficiency, the Company will forthwith either retire an appropriate principal amount of Series A Notes and/or make up such deficiency by assigning to the Trustee Instalment Obligations having an aggregate Value and/or by depositing with the Trustee Cash and/or Approved Securities having a market value aggregating the amount of such deficiency;
- (b) that the Company will file with the Trustee at least once during each calendar month a Certificate of the Company as to the Value of the Instalment Obligations assigned to the Trustee by the Company as of a date not more than 15 days prior to the delivery of such Certificate;
- (c) that the Company will not make any payment or distribution to its shareholders or any of them by way of dividend (other than stock dividend) or by way of purchase, redemption or reduction of capital (except out of the proceeds of an issue of shares made at any time after February 1, 1964 and prior to or contemporaneously with any such redemption, reduction, purchase or payment off) at any time when there is a deficiency of Instalment Obligations and/or Approved Securities and/or Cash as referred to in covenant (a) above or when an event of default (as to be specified in the Trust Deed) has occurred and is continuing;
- (d) that the Company will use its best efforts to collect or cause to be collected any and all sums becoming due from time to time in respect of all Instalment Obligations;
- (e) that subject to certain exceptions to be set out in the Trust Deed, the Company will not sell or otherwise dispose of or permit any Subsidiary to sell or otherwise dispose of (except to the Company or to another Subsidiary or to a subsidiary of a Subsidiary) by conveyance, transfer, lease or otherwise the assets or undertaking of the Company or of any Subsidiary, as the case may be, as an entirety or substantially as an entirety; and
- (f) that the Company will not permit any Subsidiary to guarantee any indebtedness or dividends of or give any other guarantee on behalf of any person, firm or corporation other than the Company or another Subsidiary or a subsidiary of a Subsidiary, and the Company will not sell or otherwise dispose of any funded obligations or preference shares of any Subsidiary nor will the Company permit any Subsidiary to issue, sell or otherwise dispose of or to become liable on (except to the Company or to another Subsidiary or to a subsidiary of a Subsidiary or to any bank or banks in the ordinary course of business) any funded obligations or preference shares of such Subsidiary or of any other Subsidiary, and that the Company will not permit any Subsidiary to mortgage, hypothecate, charge, pledge or otherwise encumber any of its assets to secure any monies, debts, liabilities, bonds, debentures, notes or other obligations other than the Notes issued under the Trust Deed and other than any funded obligations to any bank or banks in the ordinary course of business as aforesaid.

Definitions

The Trust Deed will contain definitions, among others, substantially to the following effect:

"Subsidiary Company" or "Subsidiary" means any corporation or company of which more than 50% of the issued and outstanding shares carrying voting rights at all times (provided that the ownership of such shares confers the right at all times to elect at least a majority of the board of directors of such corporation or company)

are for the time being owned by or held for the Company and/or any other corporation or company in like relation to the Company and includes (where the context permits or requires) any corporation or company in like relation to a Subsidiary.

"Instalment Obligations" means bills of exchange and promissory notes, lien or other notes, conditional sale contracts and any other instruments or agreements made or entered into respecting the sale of goods, wares and merchandise, hire-purchase agreements, leases of machinery, apparatus, motor vehicles and equipment, chattel mortgages and instruments containing security of a like nature, mortgages upon the security of real or immovable property, and any other agreements or instruments containing a covenant to pay a sum or sums of money, and, in each case, all renewals thereof, substitutions therefor and moneys payable thereunder and all right, title, interest, claim or demand thereunder in and to the chattels, property and other assets in respect of which the same were entered into or given; which said Instalment Obligations have heretofore or may hereafter be acquired by the Company and/or any Subsidiary Company in the course of carrying on their respective businesses.

"Approved Securities" means obligations or securities of, or guaranteed as to principal and interest by, the Government of Canada or any Province thereof and maturing within four years after the date of acquisition thereof.

"Value" of Instalment Obligations held by the Trustee at any time shall mean the unpaid balance of such Instalment Obligations at that time, and for the purposes of determining the same as and when required under the Trust Deed, such Value may be based upon, and the Trustee shall be entitled to rely upon, the latest Certificate or Certificates of the Company which the Company is required to file under the Trust Deed from time to time with the Trustee, but the Trustee may, in its sole discretion, without being under any liability or responsibility for not so doing, call for further evidence or make such further investigation as it may deem advisable; provided, however, that, in the determination of the Value of Instalment Obligations as aforesaid for the purposes of the Trust Deed, any Instalment Obligations held by the Trustee, in respect of which any payments or instalments payable thereunder are, as of the date in respect of which such Value is being determined, ninety (90) or more days past due, shall not be included. The value of Approved Securities at any time held by the Trustee shall be the market value thereof at such time.

"Collaterally Pledged Shares" means the shares in the capital stock of any Subsidiary Company for the time being subjected to the specific mortgage, pledge, hypothec or charge of the Trust Deed.

"Cash" means lawful money of Canada.

Additional Notes

The Trust Deed will contain provisions permitting the issuance from time to time of Notes (herein called "Additional Notes") in addition to the Series A Notes to an aggregate principal amount of \$1,600,000 provided that the aggregate of

- (i) the Value of the Instalment Obligations assigned to the Trustee by the Company determined on the basis of the latest Certificate of the Company filed with the Trustee, and
- (ii) the amount of any Cash and/or the market value of any Approved Securities deposited with the Trustee

shall be at least equal to 115% of the aggregate principal amount of all Notes to be outstanding under the Trust Deed immediately after the issuance of the Additional Notes then proposed to be issued. All Additional Notes will be secured equally and rateably each with the other and with all other Notes issued under the Trust Deed save only as to sinking fund provisions applicable to different issues.

The principal, premium (if any) and interest of and on such Additional Notes may be payable in such currency or currencies as may be determined by the Company at the time of the issue thereof.

ATLAS ACCEPTANCE CORPORATION LIMITED

and its wholly owned subsidiary

ASTRE FINANCE COMPANY LIMITED

Consolidated Statement of Earnings

FOR THE TEN YEARS AND THREE MONTHS ENDED JUNE 30, 1963

<u>Year ended</u>	<u>Gross earnings</u>	<u>Expenses other than interest</u>	<u>Interest on bank loans and short term notes</u>	<u>Earnings before deducting income taxes</u>	<u>Income taxes</u>	<u>Net earnings or (loss)</u>
March 31, 1954	\$ 94,986	\$ 51,311	\$26,877	\$16,798	\$3,421	\$13,377
March 31, 1955	120,604	61,803	25,876	32,925	9,784	23,141
March 31, 1956	122,698	87,481	29,270	5,947	2,390	3,557
March 31, 1957	155,745	101,231	41,048	13,466	3,845	9,621
March 31, 1958	161,045	122,863	41,248	(3,066)	(870)	(2,196)
March 31, 1959	138,072	102,491	30,436	5,145	1,074	4,071
December 31, 1959 (9 months)	125,806	86,948	31,245	7,613	2,225	5,388
December 31, 1960	125,205	95,374	36,006	(6,175)	(730)	(5,445)
December 31, 1961	106,791	68,707	32,873	5,211	1,682	3,529
December 31, 1962	95,362	64,408	30,744	210	424	(214)
June 30, 1963 (6 months)	46,458	29,052	17,149	257	7	250

NOTES:

- (1) The above consolidated statement of earnings includes the earnings of the subsidiary from the date of its incorporation on June 30, 1955. The subsidiary's fiscal year end is December 31 and in 1959 the Company's year end was changed to December 31.
- (2) Effective July 1, 1959 the method of calculating deferred income was changed from "straight line" to "sum of the digits" which resulted in an increase in gross earnings as at such date of approximately \$20,000.

Auditors' Report

To the Directors,

ATLAS ACCEPTANCE CORPORATION LIMITED:

We have examined the above consolidated statement of earnings of Atlas Acceptance Corporation Limited and its wholly owned subsidiary Astre Finance Company Limited for the ten years and three months ended June 30, 1963. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the consolidated statement of earnings presents fairly the results of the operations of the companies for the ten years and three months ended June 30, 1963 in accordance with generally accepted accounting principles applied on a consistent basis throughout except the change referred to in Note 2 with which we concur.

TORONTO, Canada,
October 28, 1963.

(Signed) WINSPEAR, HIGGINS, STEVENSON AND DOANE,
Chartered Accountants.

Consolidated Balance Sheet and Pro Forma

The pro forma consolidated balance sheet gives effect to the following transactions:

- (a) The issue and sale to Dalglen Corporation Limited of \$200,000 principal amount of 6¾% Convertible Sinking Fund Secured Notes Series A for a consideration of \$188,000.
- (b) The issuance to Atlas Acceptance Corporation Limited of supplementary letters patent dated August 29, 1963 increasing and decreasing the capital of the Company.
- (c) The issue and sale of 100,000 common shares to an existing shareholder for a total cash consideration of \$168,200.
- (d) The purchase for cancellation at par of all the outstanding 6% cumulative redeemable preference shares with a par value of \$100 each in the capital of the Company for a total consideration of \$68,200.
- (e) The payment of the expenses of the issue of \$7,000.

Assets

	Consolidated balance sheet	Pro forma consolidated balance sheet
CURRENT		
Cash	\$ 5,220	\$ 286,220
Notes receivable (instalment obligations) less allowance of \$12,177 for doubtful accounts	777,975	777,975
Accounts receivable	11,151	11,151
Prepaid expenses	2,861	2,861
Mortgages receivable (Note 1)	6,100	6,100
Property held for sale (Note 2)	13,000	13,000
	<u>\$816,307</u>	<u>\$1,097,307</u>
LOAN—SECURED BY MORTGAGE (Note 3)	11,500	11,500
FURNITURE AND EQUIPMENT		
Cost less accumulated depreciation of \$14,075	16,205	16,205
UNAMORTIZED DISCOUNT AND FINANCING EXPENSES (Note 4)	—	19,000

The accompanying notes and auditors' report should be read with these balance sheets.

<u>\$844,012</u>	<u>\$1,144,012</u>
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Approved on Behalf of the Board:

(Signed) A. McCARTHY, *Director*

(Signed) A. UCCI, *Director*

Auditors' Report

To the Directors,

ATLAS ACCEPTANCE CORPORATION LIMITED:

We have examined the consolidated balance sheet and pro forma consolidated balance sheet of Atlas Acceptance Corporation Limited and its wholly owned subsidiary Astre Finance Company Limited as at June 30, 1963 and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet presents fairly the financial position of the companies as at June 30, 1963 in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period and, in our opinion, the pro forma consolidated balance sheet is properly drawn up so as to present fairly the financial position of the companies as at June 30, 1963, after giving effect to the transactions referred to in the head notes.

(Signed) WINSPEAR, HIGGINS, STEVENSON AND DOANE,
Chartered Accountants.

TORONTO, Canada,
October 28, 1963.

DALGLEN CORPORATION LIMITED
TRUSTEES FINANCE COMPANY LIMITED

Consolidated Balance Sheet as at June 30, 1963

	Liabilities	
	Consolidated balance sheet	Pro forma consolidated balance sheet
CURRENT		
Bankers' advances (Note 5).....	\$537,644	\$ 537,644
Notes payable.....	63,647	63,647
Dealers' holdbacks.....	11,031	11,031
Accounts payable and accrued charges.....	3,243	3,243
Income taxes payable.....	327	327
	<u>\$615,892</u>	<u>\$ 615,892</u>
DEFERRED INCOME		
Unearned income.....	<u>\$103,496</u>	<u>\$ 103,496</u>
LONG-TERM DEBT		
6¾% Convertible Sinking Fund Secured Notes Series A maturing October 15, 1973 (Note 6) (authorized \$2,000,000).....		\$ 200,000
5¼% Mortgage due October 1, 1974.....	<u>\$ 6,299</u>	<u>\$ 6,299</u>
Shareholders' Equity		
CAPITAL STOCK		
6% Cumulative redeemable preference shares with a par value of \$100 each redeemable at \$103		
Authorized—2,000 shares (pro forma none)		
Issued — 682 shares (pro forma none).....	\$ 68,200	—
Common shares without par value		
Authorized—250,000 shares (pro forma 500,000)		
Issued —103,920 shares (pro forma 203,920 shares).....	29,088	\$ 197,288
EARNED SURPLUS.....	<u>21,037</u>	<u>21,037</u>
	<u>\$118,325</u>	<u>\$ 218,325</u>
	<u>\$844,012</u>	<u>\$1,144,012</u>

NOTES:

1. Mortgages receivable are stated at face value less principal repayments received.
2. Property held for sale is stated in the amount of the account receivable in respect of which the property was acquired in satisfaction of such account.
3. Loan—Secured by Mortgage in the amount of \$11,500 being advances to a former customer is secured by a collateral second mortgage on real estate and guaranteed by former shareholders of the Company. Approximately four years ago a writ was issued. Subsequent foreclosure proceedings were contested by the debtor and further litigation is pending. In the opinion of counsel the Company will succeed in obtaining judgment. In the opinion of management the equity value of the property exceeds the amount of the debt and no allowance for loss is required.
4. The amount shown in the pro forma balance sheet is the total of the discount and other expenses of the proposed issue of the 6¾% Convertible Sinking Fund Secured Notes Series A.
5. Bankers' advances are secured by specific notes receivable (instalment obligations) held as collateral.
6. The 6¾% Convertible Sinking Fund Secured Notes Series A maturing October 15, 1973 will be secured by deposit with the Trustee under the Trust Deed pursuant to which the Notes will be issued by instalment obligations and/or cash and/or approved securities to an amount or value of 115% of the principal amount of the Notes outstanding. Each \$1,000 Note will be convertible into common shares on the following basis:

To October 15, 1966.....	500 shares
Thereafter, to October 15, 1970.....	300 shares
Thereafter, to October 15, 1973.....	200 shares
7. An option has been given to Dalglen Corporation Limited to purchase an additional \$200,000 principal amount of 6¾% Convertible Sinking Fund Secured Notes Series A for a consideration of \$188,000, exercisable in whole or part from time to time and expiring January 7, 1964.
8. The Company has granted an option to the President, Mr. Arthur McCarthy, exercisable until September 30, 1966 to purchase 20,300 common shares of the Company at a price of \$1.70 per share.

Statutory Information

1. The full name of the Company is ATLAS ACCEPTANCE CORPORATION LIMITED (hereinafter called the "Company") and the address of its head office is 62 Richmond Street West, Toronto 1, Ontario.
2. The Company was incorporated as a private company under the provisions of The Companies Act (Ontario) by letters patent dated April 1, 1950. Supplementary letters patent dated December 9, 1953 were issued converting the Company into a public company and subsequently supplementary letters patent dated respectively May 19, 1959, November 8, 1961 and August 29, 1963 were issued to the Company. The last mentioned supplementary letters patent decreased the capital of the Company by cancelling the authorized but unissued 6% cumulative redeemable preference shares with a par value of \$100 each of the Company and increased the capital of the Company by creating 250,000 additional common shares ranking pari passu with the previously authorized and issued common shares of the Company.
3. The general nature of the business transacted by the Company is the financing of retail instalment sales, the making of loans to retailers and the lending of money upon the security of chattel mortgages, promissory notes and other securities.
4. The names in full, present occupations and home addresses in full of the directors and officers of the Company are:

Directors

LOUIS ANTHONY DONOLO, P.ENG.....	<i>General Contractor</i>	161 Coldstream Avenue, Toronto, Ontario.
JOHN MILTON HAWKINS.....	<i>Lumber Dealer</i>	193 Coldstream Avenue, Toronto, Ontario.
CLIFTON HARPER LANE, Q.C.....	<i>Solicitor</i>	222 Glencairn Avenue, Toronto, Ontario.
ARTHUR MCCARTHY.....	<i>Executive</i>	20 Guildcrest Drive, Scarborough, Ontario.
GEORGE PETER MACNAMES.....	<i>Investment Dealer</i>	291 Russell Hill Road, Toronto, Ontario.
VINCENT PETER PAUL.....	<i>Executive</i>	89 Bayview Ridge, Willowdale, Ontario.
ANDREA FRANC UCCI.....	<i>Executive</i>	44 Park Lane Circle, Don Mills, Ontario.

Officers

ARTHUR MCCARTHY.....	<i>President and General Manager</i>	20 Guildcrest Drive, Scarborough, Ontario.
ANDREA FRANC UCCI.....	<i>Vice-President</i>	44 Park Lane Circle, Don Mills, Ontario.
CHARLES PERCIVAL HURLY.....	<i>Assistant Manager</i>	276 Guildwood Parkway, West Hill, Ontario.
JOHN FELIX PERRETT, Q.C.....	<i>Secretary</i>	243 Chaplin Crescent, Toronto, Ontario.
MARTA ACKERMAN.....	<i>Treasurer</i>	Apt. 201, 2 Ridelle Avenue, Toronto, Ontario.

5. The auditors of the Company are Messrs. Winspear, Higgins, Stevenson and Doane, 36 Toronto Street, Toronto, Ontario.
6. The registrar and transfer agent for the common shares without par value in the capital of the Company is Guaranty Trust Company of Canada, 366 Bay Street, Toronto, Ontario. The registrar and Trustee with respect to the 6¾% Convertible Sinking Fund Secured Notes Series A (hereinafter sometimes called "Series A Notes") offered hereby will be Guaranty Trust Company of Canada at the said address.
7. The authorized capital of the Company consists of 500,000 common shares without par value, of which 203,920 are issued and outstanding as fully paid.
8. No shares are being offered by this prospectus. Reference, however, is made to paragraph 11 hereof as to the conversion privilege attaching to the Series A Notes offered hereby.

9. No bonds or debentures are outstanding or proposed to be issued ranking ahead of or pari passu with the Series A Notes offered by this prospectus. No other securities are issued or are now proposed to be issued ranking ahead of or pari passu with the Series A Notes offered by this prospectus except that in the ordinary course of its business the Company has incurred and will incur substantial indebtedness in respect of moneys borrowed from its bankers and others upon the security of specific instalment obligations assigned, pledged or charged by the Company and/or secured by floating charges on the undertaking and assets of the Company which may rank pari passu with the floating charge created by the Trust Deed hereinafter referred to pursuant to which the Series A Notes are to be created and secured. Reference is made to the material under the heading "Security" on pages 6 and 7 of this prospectus.

10. No substantial indebtedness not shown in the pro forma consolidated balance sheet of the Company and its wholly owned subsidiary Astre Finance Company Limited as at June 30, 1963 contained in this prospectus is proposed to be created or assumed at the present time, except that (i) as referred to in paragraph 9 hereof, the Company in the ordinary course of its business will from time to time assign, pledge or charge specific instalment obligations with bankers and others to secure indebtedness to such bankers and others and may create floating charges on the undertaking and assets of the Company as referred to in such paragraph, and, (ii) as referred to in clause (f) under the heading "Covenants" on page 7 of this prospectus, Subsidiaries of the Company may issue, sell or otherwise dispose of or become liable on funded obligations or preference shares of such Subsidiaries to any bank or banks in the ordinary course of business.

11. The Series A Notes offered by this prospectus will be convertible, at the option of the holder, at any time prior to the close of business on the respective dates hereinafter mentioned or the last business day immediately preceding the date fixed for redemption of such Series A Notes, whichever in each case is earlier, into fully paid and non-assessable common shares without par value in the capital of the Company on the basis of 500 common shares for each \$1,000 principal amount of Series A Notes if converted on or before October 15, 1966; thereafter on the basis of 300 common shares for each \$1,000 principal amount of Series A Notes if converted on or before October 15, 1970; and thereafter on the basis of 200 common shares for each \$1,000 principal amount of Series A Notes if converted on or before October 15, 1973. The Trust Deed under which the Series A Notes will be issued will contain provisions to the effect that, in the event of (a) any reduction in the number of common shares outstanding due to consolidation thereof or (b) any increase in the number of common shares outstanding due to subdivision thereof or to any stock dividend paid in common shares, an appropriate adjustment shall be made in the number of common shares issuable pursuant to such conversion privilege subsequent to any such change in the number of outstanding common shares becoming effective, provided that no fractions of common shares, nor warrants therefor, shall be issued, the Company reserving the right to make payment to the holder in cash or by cheque in respect of any such fraction.

The Company, by an option agreement dated September 30, 1963 entered into with its President and General Manager, Mr. Arthur McCarthy, has granted to the said Arthur McCarthy, an irrevocable option, subject to certain terms and conditions, to purchase in whole or in part, at any time or from time to time, until (but not after) September 30, 1966 20,300 common shares in the capital of the Company out of its authorized but unissued capital at a price of \$1.70 per common share payable at par at Toronto, Ontario, if, as and when such option may be exercised by the said Arthur McCarthy at the time or times of the exercise thereof.

Except as aforesaid, no securities of the Company are covered by options outstanding or proposed to be given by the Company.

12. The amount of Series A Notes offered by this prospectus, their appropriate and correct descriptive title, the issue price to the public and the terms thereof are as stated on the face pages of this prospectus to which reference is hereby expressly made.

The Company has not heretofore offered any securities for subscription but on September 30, 1963 the Company issued to H. Jones Building Supplies Limited 100,000 common shares without par value for a cash consideration of \$168,200 and no commission was paid or is payable in respect thereof.

13. The estimated net proceeds to be derived from the sale of the Series A Notes offered by this prospectus on the basis of the same being fully taken up and paid for (including the \$200,000 principal amount of Series A Notes under option as referred to in paragraph 16 hereof) is \$376,000 less legal, audit and other expenses in connection with the issue estimated at \$7,000.

14. The net proceeds to the Company of the issue of the \$400,000 aggregate principal amount of 6¾% Convertible Sinking Fund Secured Notes Series A will be added to the general funds of the Company to be used to increase its outstanding instalment obligations and to provide funds to its wholly owned subsidiaries for the same purpose.

15. No shares are being offered by this prospectus.

16. By an underwriting and option agreement dated October 28, 1963 made between the Company and Dalglen Corporation Limited (the "Underwriter"), on its own behalf, the Company has agreed to sell and the Underwriter has agreed to purchase on or before November 19, 1963, on and subject to the terms and conditions of the said underwriting and option agreement, not less than \$200,000 principal amount of 6¾% Convertible Sinking Fund Secured Notes Series A of the Company for an aggregate consideration of \$188,000 and accrued interest on the principal amount of the said Series A Notes from October 15, 1963 to the date of delivery thereof. The said consideration is payable in cash against delivery by the Company to the Underwriter of the Series A Notes in definitive form.

The said underwriting and option agreement further provides that the Underwriter has an option exercisable at any time or from time to time until (but not after) January 7, 1964 to purchase all or any part of a further \$200,000 principal amount of 6¾% Convertible Sinking Fund Secured Notes Series A (less such principal amount of Series A Notes in excess of \$200,000 principal amount taken up and paid for on or before November 19, 1963 as aforesaid), which further Series A Notes may be taken up and paid for in whole or in part on or before January 15, 1964 upon notice in writing to the Company on or before January 7, 1964 against payment of the purchase price therefor, namely, \$94 per \$100 principal amount of Series A Notes and accrued interest from October 15, 1963.

The following are the names of every person having an interest, either directly or indirectly, to the extent of not less than 5% in the capital of the Underwriter: G. Peter MacNames.

17. The by-laws of the Company do not make any provision as to the remuneration to be paid to directors, as such, but do provide that the terms of employment and remuneration of all officers of the Company shall be settled from time to time by the board of directors. The directors may also by resolution give indemnity to any director undertaking any special services on the Company's behalf or who has undertaken, or is about to undertake, any liability on behalf of the Company and confirmation of any such resolution by the shareholders is not required.

18. The aggregate remuneration paid by the Company to its directors, as such, in the last financial year ended December 31, 1962 was \$525 and to officers who individually received remuneration in excess of \$10,000 per annum was \$10,200. The estimated remuneration for the current financial year ending December 31, 1963 to be paid to the directors as such is \$1,000 and to be paid to officers individually receiving or who may be entitled to receive remuneration in excess of \$10,000 per annum is \$12,000.

19. No amount has been paid within the two preceding years or is payable as a commission by the Company for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or obligations of the Company. Reference, however, is made to paragraph 16 hereof as to the price payable by the Underwriter for the Series A Notes offered by this prospectus.

20. The Company has been carrying on business for more than one year.

21. No property has been purchased or acquired by the Company, or is proposed to be purchased or acquired by the Company, the purchase price of which is to be defrayed in whole or in part out of the proceeds of the issue of the Series A Notes or has been paid within the last two years preceding the date hereof or is to be paid in whole or in part in securities of the Company, or the purchase or acquisition of which has not been completed at the date hereof, other than transactions entered into in the ordinary course of operations or on the general credit of the Company.

22. No securities of the Company have been issued or agreed to be issued as fully or partly paid up otherwise than in cash.

23. Reference is made to pages 6 and 7 of this prospectus for particulars to the security to be created for the Series A Notes offered hereby.

The \$400,000 aggregate principal amount of Series A Notes offered hereby are to be issued under and secured by a deed of trust and mortgage (herein called the "Trust Deed") to be dated as of October 15, 1963 and to be made between the Company and Guaranty Trust Company of Canada, as Trustee.

The Trust Deed will contain, among other things, covenants of the Company to the effect set out under the heading "Covenants" on page 7 of this prospectus. Reference is made to page 8 of this prospectus under the heading "Additional Notes" for particulars of the terms upon which Additional Notes may be issued pursuant to the provisions of the Trust Deed and to pages 7 and 8 of this prospectus under the heading "Definitions" for certain definitions to be contained in the Trust Deed.

24. No services have been or are to be rendered to the Company which are to be paid for by the Company wholly or partly out of the proceeds of the issue of the Series A Notes except in the ordinary course of business and except for legal, auditing and other services in connection with the issue of the Series A Notes. No services have been rendered or are now proposed to be rendered which have been paid or are to be paid for by securities of the Company. Reference, however, is made to the option of shares granted to the President of the Company referred to in paragraph 11 hereof.

25. No amount has been paid nor is intended to be paid to any promoter of the Company.

26. The Company has not entered into any material contracts within the two years preceding the date of this prospectus other than contracts entered into in the ordinary course of business except:

- (i) an employment agreement dated May 1, 1963 made between the Company and its President, Mr. Arthur McCarthy, for a period of five years from May 1, 1963 at a salary of \$12,000 per annum;
- (ii) the underwriting and option agreement referred to in paragraph 16 hereof; and

(iii) the option agreement dated September 30, 1963 between the Company and its President, Mr. Arthur McCarthy, referred to in paragraph 11 hereof.

Copies of the said agreements and of the Trust Deed, when prepared, may be inspected at the head office of the Company during ordinary business hours during the course of primary distribution to the public of the securities offered hereby.

27. The Company has not acquired and does not propose to acquire any property in which any director was or is interested.

28. The Company has carried on business since April 1950. The Company is the owner of all the issued and outstanding shares of Astre Finance Company Limited, a company incorporated under The Corporations Act (Ontario) by letters patent dated June 30, 1955, and which company is the holder of a licence issued under the Small Loans Act (Canada) and has carried on the business of lending money since June 1955. The Company is also the owner of all the issued and outstanding shares of Atlas Credit Corporation Limited, a private company incorporated under subsection 2 of section 3 of The Corporations Act (Ontario) by letters patent dated July 11, 1963 with power to lend and invest money on mortgages of real estate, which last mentioned company intends to commence business in the near future.

29. No securities of the Company are held in escrow.

30. By reason of beneficial ownership of securities of the Company, H. Jones Building Supplies Limited is in a position to or entitled to elect or cause to be elected a majority of the directors of the Company.

31. There are no material facts not disclosed in the foregoing.

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), and there is no further material information applicable other than in the financial statements or reports where required.

Dated the 28th day of October, 1963.

Directors

(Signed) A. McCARTHY

(Signed) A. UCCI

(Signed) C. H. LANE

(Signed) VINCENT PAUL

(Signed) J. M. HAWKINS

(Signed) LOUIS DONOLO JR.

(Signed) G. P. MACNAMES

Underwriter and Optionee

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), and there is no further material information applicable other than in the financial statements or reports where required. In respect of matters which are not within our knowledge we have relied upon the accuracy and adequacy of the foregoing.

DALGLEN CORPORATION LIMITED

by (Signed) G. P. MACNAMES

(Signed) E. F. JACKSON

